

EXHIBIT B



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(Circular E), Employer's Tax Guide

**(Including 2006 Wage
Withholding and Advance
Earned Income Credit
Payment Tables)**



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What's New

941TeleFile discontinued. The second quarter 2005 Form 941 was the last quarterly return that could be filed using the 941TeleFile system. Former 941TeleFile users are encouraged to use other convenient IRS e-file options by accessing the IRS website at www.irs.gov and clicking on the e-file logo in the lower-left corner.

Double click on the appropriate icon to the left for withholding tables provided in a Microsoft Excel spreadsheet (opens in a separate Excel (.xls) file).

- January 1 of the same year.

When you pay an employee for a period of less than one week, and the employee signs a statement under penalties of perjury indicating that he or she is not working for any other employer during the same week for wages subject to withholding, figure withholding based on a weekly payroll period. If the employee later begins to work for another employer for wages subject to withholding, the employee must notify you within 10 days. You then figure withholding based on the daily or miscellaneous period.

9. Withholding From Employees' Wages

Income Tax Withholding

To know how much federal income tax to withhold from employees' wages, you should have a Form W-4, Employee's Withholding Allowance Certificate, on file for each employee. Encourage your employees to file an updated Form W-4 for 2006, especially if they owed taxes or received a large refund when filing their 2005 tax return. Advise your employees to use the Withholding Calculator on the IRS website at www.irs.gov/individuals for help in determining how many withholding allowances to claim on their Form W-4.

Ask all new employees to give you a signed Form W-4 when they start work. Make the form effective with the first wage payment. If a new employee does not give you a completed Form W-4, withhold income tax as if he or she is single, with no withholding allowances.

You can now provide Form W-4(SP), Certificado de Exención de la Retención del(la) Empleado(a), in place of Form W-4, Employee's Withholding Allowance Certificate to your Spanish-speaking employees. Instructions, in Spanish, for completing Form W-4 or Form W-4(SP) are available in Publication 579SP, *Cómo Preparar la Declaración de Impuesto Federal*.

You may establish a system to electronically receive Forms W-4 from your employees. See Regulations section 31.3402(f)(5)-1(c) for more information.

A Form W-4 remains in effect until the employee gives you a new one. If an employee gives you a Form W-4 that replaces an existing Form W-4, begin withholding no later than the start of the first payroll period ending on or after the 30th day from the date when you received the replacement Form W-4. For exceptions, see *Exemption from federal income tax withholding*, *IRS review of Forms W-4*, and *Invalid Forms W-4* later.

If you are a successor employer (see *Successor employer* on page 16), secure new Forms W-4 from the transferred employees unless the "Alternative Procedure" in section 5 of Revenue Procedure of 2004-53 applies.

The amount of any federal income tax withholding must be based on marital status and withholding allowances. Your employees may not base their withholding amounts on a fixed dollar amount or percentage. However, an employee may specify a dollar amount to be withheld in addition to the amount of withholding based on filing status and withholding allowances claimed on Form W-4.

Employees may claim fewer withholding allowances than they are entitled to claim. They may wish to claim fewer allowances to ensure that they have enough withholding or to offset the tax on other sources of taxable income that are not subject to adequate withholding.

Note. A Form W-4 that makes a change for the next calendar year will not take effect in the current calendar year.

See Publication 505, *Tax Withholding and Estimated Tax*, for detailed instructions for completing Form W-4. Along with Form W-4, you may wish to order Publication 505 and Publication 919, *How Do I Adjust My Tax Withholding*, for use by your employees.

When you receive a new Form W-4 from an employee, do not adjust withholding for pay periods before the effective date of the new form. Also, do not accept any withholding or estimated tax payments from your employees in addition to withholding based on their Form W-4. If they require additional withholding, they should submit a new Form W-4 and, if necessary, pay estimated tax by filing Form 1040-ES, *Estimated Tax for Individuals*.

Exemption from federal income tax withholding. Generally, an employee may claim exemption from federal income tax withholding because he or she had no income tax liability last year and expects none this year. See the Form W-4 instructions for more information. However, the wages are still subject to social security and Medicare taxes.

A Form W-4 claiming exemption from withholding is valid for only one calendar year. To continue to be exempt from withholding in the next year, an employee must give you a new Form W-4 by February 15 of that year. If the employee does not give you a new Form W-4, withhold tax as if the employee is single with zero withholding allowances or withhold based on the last valid Form W-4 you have for the employee.

In general, if you pay wages to nonresident aliens, you must withhold federal social security and Medicare taxes as you would for a U.S. citizen. However, see Publication 515, *Withholding of Tax on Nonresident Aliens and Foreign Entities*, for exceptions to this general rule.

New procedure for withholding income taxes on the wages of nonresident alien employees. In general, you also must withhold federal income taxes on the wages of nonresident alien employees. However, see Publication 515 for exceptions to this general rule. For wages paid on or after January 1, 2006, you are required to apply a new procedure in calculating the amount of federal income tax withholding on the wages of nonresident alien employees. Under this procedure, you add an amount as set forth in the chart below to the nonresident alien's wages solely for calculating the income tax withholding for each payroll period. You determine the amount to be withheld by applying the income tax withholding tables to the amount of wages paid plus the additional chart amount. For more information, see Notice 2005-76. You can find Notice 2005-76 on page 947 of Internal Revenue Bulletin 2005-46 at www.irs.gov/pub/irs-irbs/irb05-46.pdf.

The amount to be added to the nonresident alien's wages to calculate income tax withholding is set forth in the following chart.